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IN THE

Supreme Court of the United States

October Term, 1932

No. 565

PHILIP HURN and PERCY MORGAN, JR.

Petitioners

against

FULTON OURSLER, LOWELL BRENTANO, ALBERT LEWIS and SAM H. HARRIS

Respondents

PETITIONERS' REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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POINT I

The recent decision of the Supreme Court of the United States, in *Levering & Garrigues Co.* v. *Morrin*, 53 (No. 3) Supreme Court Reporter, Advance Sheets (Dec. 1, 1932) 118, is determinative of the right to a writ of certiorari herein.

In the case above mentioned, recently reported in the Advance Sheets, the Supreme Court granted a petition for a writ of certiorari, where federal jurisdiction was invoked by virtue of an alleged violation of the Interstate Com-

merce Act and the Federal Anti-Trust Laws. The lower court, having found that there was no diversity of citizenship and that no right under these federal statutes had been violated, refused to entertain a claim based upon alleged illegal acts under the state law, including an attempt to effect a boycott of the plaintiffs through threats and intimidation. The Supreme Court granted the petition for the writ, on the precise question of jurisdiction here involved. The decision states:

> "Petition for writ of certiorari to the United States Circuit Court of Appeals for the Second Circuit granted limited to the question of Federal jurisdiction other than questions relating to diversity of citizenship."

The present petition presents an even stronger case for the issuance of a writ, in view of the fact that here the invocation of federal jurisdiction was indisputably made in good faith and not colorably. The District Court expressly so found (R., p. 29). In the *Levering* case, on the other hand, the Circuit Court of Appeals for the Second Circuit, said in its opinion (p. 120):

> "Concededly the alleged claim of federal jurisdiction must be substantial and not frivolous. * * * It may well be doubted whether the plaintiffs' claim under the Anti-Trust Laws could be deemed substantial."

POINT II

Respondents' contention that the principle of *Siler* v. *Louisville & Nashville Railway Co.*, 213 U. S. 175, is limited to cases in which constitutional questions are involved is unfounded.

In each of the respective briefs filed on behalf of the various respondents, the contention is made that the principle of the *Siler* case is limited to situations in which the Federal Constitution is involved. Although the issue usually arises in constitutional questions, the Supreme Court has never so far as we have been able to ascertain limited or purported to limit the doctrine thereto. In practically all of the cases the question upon which jurisdiction is granting is referred to as a "*federal*" question, and not necessarily as a *constitutional* one. The principle has certainly, moreover, been applied in cases in which a federal statute as distinct from the constitution was involved. Thus in *Federal Reserve Bank of Kansas City* v. *Omaha National Bank of Omaha,* 45 Fed. (2d) 511, in which the principle of the *Siler* case was applied, the federal question upon which jurisdiction was invoked rested on Sec. 5242 of the Revised Statutes, prohibiting the transfer by national banks under certain circumstances of notes, bonds, bills of exchange, etc. See also *General Investment Co.* v. *Lake Shore, etc., R'y Co.,* 269 Fed. 235, at page 241, affirmed with modification unimportant here, 260 U. S. 261.

POINT III

The contention made in respondents' briefs that there is no conflict of decisions between different circuits on the issue here involved is without validity.

The Circuit Court of Appeals for the Sixth Circuit in *Vogue Co.* v. *Vogue Hat Co.*, 12 Fed. (2d) 991, 995, expressly stated that:

> "We do not overlook that this conclusion seems to be in conflict with that of the Circuit Court of Appeals in the Second Circuit as stated in Bernstein *v.* Danwitz, 190 Fed. 604, 605, but we cannot be content to accept the view there stated."

The Second Circuit, in the case of *Levering & Garrigues Co.* v. *Morrin*, 61 Fed. (2d) 115, in which the petition for a writ of certiorari has recently been granted as above stated, likewise recognized the conflict. The court said (p. 120) that its decision

> "Must, indeed, be recognized as scarcely consistent with some of the views expressed in Judge Dennison's learned opinion in Vogue Co. *v.* Vogue Hat Co."

Counsel for the respondents repeatedly assert that the ruling in this connection in the *Vogue* case was merely dictum. The opinion clearly discloses that the court's decision rested on two grounds, one of which was the principle involved herein.

POINT IV

Respondents' contention that the question is moot because the complaint does not disclose a cause of action based on unfair practices or unfair competition is likewise without foundation.

It should be noted that both the District Court and the Circuit Court of Appeals expressly rested their determination solely on lack of jurisdiction and not upon a failure to set forth a cause of action based on unfair practices and unfair competition (R., pp. 29, 30, 45).

Respondents' contention in this regard seems to rest on several grounds. Thus they contend that the plaintiff must establish a "palming off" or deception of the public (brief of respondent Oursler, p. 8; brief of respondent Brentano, p. 7). The authorities are clearly opposed to this view.

In the leading case of *International News Service* v. *Associated Press,* 248 U. S. 215, the court said, per Mr. Justice PITNEY (p. 236):

> "Obviously, the question of what is unfair competition in business must be determined with particular reference to the character and circumstances of the business. *The question here is not so much the rights of either party as against the public but their rights as between themselves.* See Morison *v.* Moat, 9 Hare, 241, 258. * * *."

The court said further (p. 241):

> "It is said that the elements of unfair competition are lacking because there is no attempt by

> defendant to palm off its goods as those of the complainant, characteristic of the most familiar, if not the most typical, cases of unfair competition. Howe Scale Co. *v.* Wyckoff, Seamans & Benedict, 198 U. S. 118, 140. But we cannot concede that the right to equitable relief is confined to that class of cases. In the present case the fraud upon complainant's rights is more direct and obvious. Regarding news matter as the mere material from which these two competing parties are endeavoring to make money, and treating it, therefore, as quasi property for the purposes of their business because they are both selling it as such, defendant's conduct differs from the ordinary case of unfair competition in trade principally in this that, instead of selling its own goods as those of complainant, it substitutes misappropriation in the place of misrepresentation, and sells complainant's goods as its own."

In *Fendler* v. *Morosco,* 253 N. Y. 281, the court said, per Chief Judge CARDOZO (p. 291):

> "We are not now considering whether the defendant Tully made a *fair* use of plaintiff's play. Since plaintiff had not published or produced her play, perhaps any use that others made of it might be *unfair.* Perhaps a wrong was committed if the defendant Tully even read the play. This action is not brought to redress such wrong."

In the case of *Fisher* v. *Star Company,* 231 N. Y. 414, the theory of unfair competition was used to give protection far beyond that accorded by the copyright laws. The court granted an injunction in that case which reserved the exclusive right to draw Mutt and Jeff cartoons to the

creator thereof, though the series had at first been published without any copyright protection whatever, and although the trade-mark law was not invoked. The court said (p. 427):

> "The courts are not confined in the exercise of their equitable powers to preventing unfair competition among the manufacturers of and dealers in goods. The controlling question in all cases where the equitable power of the courts is invoked is, whether the acts complained of are fair or unfair. The determination of this appeal depends first and primarily upon the facts."

In the recent case of *Booth* v. *Stutz Motor Car Company*, 56 Fed. Rep. (2) 962, decided on March 16, 1932, the Circuit Court of Appeals for the Seventh Circuit held that a designer who confidentially communicated his plans for the design of an automobile to an automobile manufacturer with the purpose of having the manufacturer adopt such design, was held to be entitled to an accounting of damages and profits to the extent that the novel features of such design were subsequently incorporated by the automobile manufacturer in its cars, although it informed the plaintiff that it was unable to use them. The court granted this relief notwithstanding that the plaintiff's patents covering said designs were held to be invalid. The court said (p. 968):

> "It is apparent from the evidence that the arrangement of the Stutz car was in many ways similar, effecting for it an 'eye appeal' much like that of the Booth car. Notwithstanding dissimilarities in many of the corresponding parts, the general resemblance is far too marked to warrant the

> conclusion that the Booth designs did not quite substantially enter into the Stutz car.
>
> To the extent, therefore, that the Booth plans, communicated in confidence to Stutz, did enter into the design of the Stutz car, Stutz did inequitably appropriate those plans and should account to Booth therefor."

In *Jenkins* v. *News Syndicate Co.*, 128 Misc. 284 (219 N. Y. Supp. 196), the plaintiff and defendant, which published The Daily News, were engaged in negotiations regarding the writing by the plaintiff of several articles for publication with reference to social entertainments; a representative of the defendant conferred with the plaintiff with regard to the latter's plans for the form and substance of these articles including the ideas and opinions of the plaintiff with respect to the subject-matter thereof. The plaintiff gave the defendant's representative a synopsis of such ideas and subject-matter. The plaintiff subsequently decided that she would not write the articles and refused to consent to their publication. The defendant, nevertheless, published an article containing substantially an accurate reproduction of the form and substance of the articles discussed by the parties. The complaint was held to state a cause of action for money damages.

Nims, in his work on Unfair Competition, in the Introduction to the second edition, states (3rd edition, 1929, p. VIII):

> "The law of Unfair Competition might well be called the book of rules of the business game. It gives far greater protection against unfair practices used in competition than is realized by the average business man. It is still in its infancy.

> Its possibilities of growth and effectiveness are almost unlimited. *It started by regulating only one unfair practice, viz.: substitution, or the act of offering or selling one brand of goods when the buyer asked for another brand. Today its principles are being applied to most commercial practices that are unfair, or, as the French law terms it, disloyal.*"

See also

> *Board of Trade* v. *Christie Grain Co.*, 198 U. S. 236;
> *Fonotipia Limited* v. *Bradley*, 171 Fed. 951;
> *Meyer* v. *Hurwitz*, 5 Fed. (2d) 370, aff'd 10 Fed. (2d) 1019.

Respondents also make the contention that the adjudication that there was no copyright infringement likewise constitutes a conclusion that there were no unfair practices or unfair competition. This is obviously unsound. It is, of course, clear that under the decisions involving the Copyright Law the evidence required to show infringement is very meticulous with respect to proof of exact copying of matter or "sequence of events." On the other hand, in a case involving unfair competition or unfair practices, it is the *unfairness* of the defendant's acts, as the cases above stated show, that is of primary importance. In other words, the same general facts may form the basis for both claims, but the significance and inferences to be drawn therefrom are different. Although the use of the seance idea in this case may not have involved such an exact copying of the plaintiffs' play as to constitute a copyright infringement, its appropriation by the defendants while they had complainants' unpublished play

under consideration for production, and its insertion *as a dominant element* in another play, which the defendants were then producing and which theretofore had contained no such element, certainly constitutes unfair practices and a violation of plaintiffs' rights. Such an appropriation by defendants killed the novelty and effectiveness of complainants' play, and completely prevented its subsequent production or success (see petition, pp. 3-5).

The Copyright Law itself expressly recognizes the rights of authors of unpublished works wholly outside the remedies allowed by said law. Section 2 of the Copyright Law (Act of March 4, 1909, as amended) provides as follows:

> "Sec. 2. That nothing in this Act shall be construed to annul or limit the right of an author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication *or use* of said unpublished work without his consent and to obtain damages therefor."

Respectfully submitted,

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